



REPORT TO: **Audit and Corporate Governance Committee**
DATE: **17 March 2009**
SUBJECT: **Finance Position – Summary Report**
SPONSOR: **Director of Finance and Corporate Services**
AUTHOR: **Head of Finance**

1. PURPOSE OF PAPER

1.1 This report informs the Committee of significant developments within the Finance Department during the last few months.

2. BACKGROUND

2.1 The Committee has received a regular update on the activities within the Finance Department and this report looks at the following matters:

- Internal audit reports
- Budget monitoring and reporting 2008/09
- Medium Term Financial Plan 2009/10 to 2011/12
- The Department's progress on achieving its efficiency gains
- Review of the implications for BTP as a result of the current economic conditions
- Other activity within the Department.

3. INTERNAL AUDIT REPORTS

3.1 Regular reports on internal audit reports have been presented to ACG after review by BTP's Chief Officers' Group (COG). The internal audit programme is on target to complete all the agreed audits by the end of the financial year.

3.2 The change in internal auditor from PwC to Tribal was confirmed at the last meeting of the Committee and an induction programme is underway to ensure that the change is as smooth as possible.



3.3 The March meeting of A&CG would usually approve the proposed Internal Audit plan for the forthcoming new year. In this changeover year, it is proposed the plan for 2009/10 will be brought to the June meeting of this committee. Tribal are already preparing some early work as part of their 'induction' and it is anticipated that once they have completed their initial meetings with key staff in BTP/A then they will be able to pull together a formal proposed plan. In a recent meeting with them I discussed my views on areas of audit activity that I'd like them to undertake, and for that to begin in the first quarter – namely work on the procurement process, from the perspective of how the current economic climate may impact; and importantly a review following the bringing 'in-house' of the Accounts Receivable function from LPM. Later in the year there will of course be the Core Financial Systems work, for NAO to rely upon – and a broader suite of 'audits' to undertake: all of which will feature in the plan.

4. BUDGET MONITORING AND REPORTING 2008/09

4.1 The revenue budget is being monitored on a period by period basis at budget holder level and budget holders present their position at Finance Reviews held just after the end of each period. These reviews give the opportunity for Senior Officers to question budget holders on the position for the period, the year to date and their forecast outturn for the year. The capital programme is subject to a similar level of scrutiny on a scheme by scheme basis and project owners are challenged about how their project is progressing and the likely spend in the year. The position on the revenue budget and capital programme is reported either to the full Authority or to SBPM depending on when these meetings fall in relation to the end of the period being reported on.

4.2 The revenue budget position reported at the end of Period 11 (30 January 2009) was reported to the Authority last week and showed that year to date against profiled budget there was an underspend of just over £4.0m – with the forecast outturn for the year being an underspend of £1.6m. It had been previously agreed by the Authority at its meeting in January that this £1.6m should be used to mitigate some of the budget pressures in future years.

4.3 The position on the capital programme is that – at the end of period 11 – significant sums still needed to be spent if the £11.0m programme agreed with the DfT is to be completed on target. Monitoring is now taking place weekly to ensure that, as far as possible, the approved level of spend is achieved.

5. MEDIUM TERM FINANCIAL PLAN 2009/10 TO 2011/12

5.1 Updated versions of the MTFP were presented to the Authority at its January meeting and to SBPM at its February meeting, with the final version in respect of the 2009/10 revenue budget and capital programme being approved by the Authority at its meeting on 12 March.

5.2 The Authority approved the increase in the standard PSA and arrangements are in hand to collect this from the PSA holders according to the agreed arrangements.

5.3 The report did highlight a number of issues that will need further discussion by the Authority – such as the basis for changes to the level of PSA income in future years, the impact of the already agreed pay awards and a predicted deficit for 2010/11. These matters will be subject to detailed discussion by the Authority in July.

5.4 As part of the MTFP report, the Authority approved a capital programme for 2009/10 of £14.5m - £1.5m more than the total of £13.0m agreed with the DfT. Experience has shown that slippage will occur during the year and early estimates of cost will vary as the commissioning of projects gets underway – thus it is likely that the actual outturn will not be in excess of the £13.0m.

6. THE DEPARTMENT'S PROGRESS IN ACHIEVING ITS EFFICIENCY GAINS

6.1 Progress on achieving the efficiency gains agreed by the Challenge Panel are on target in respect of the savings in respect of VAT recovery and the bringing back in house the debtors function (see paragraph 6.2 below). Savings associated with system changes (e.g. the interface between the HR and payroll systems to ensure that the “people databases” are the same) are part of a wider project that is on target as far as business case preparation is



concerned but decisions on when to go ahead with some elements of the project have still to be made.

- 6.2 The transfer of the debtors function from LPM went smoothly and all the relevant data was received in good time so that the internal arrangements for billing could commence at the beginning of January. LPM were very co-operative and thanks are due to them for the professional way in which they dealt with the transfer. As a result of this transfer there has been no increase in outstanding debts – the significant ones remaining are those in respect of the withholding of payments by some of the TOCs as a result of the judicial review.

7. REVIEW OF IMPLICATIONS FOR BTP AS A RESULT OF THE CURRENT ECONOMIC CONDITIONS

- 9.1 Under the leadership of the Director of Finance and Corporate Services, a group has been established to ensure that the implications of the current economic conditions are understood and that, where possible, risks can be minimised.
- 9.2 Matters being covered include monitoring the financial position of major and key suppliers, making sure that, where possible, suppliers are paid as effectively as possible, putting in place more robust checks on potential new suppliers and ensuring that contract terms and conditions are fair but not solely in the contractors' favour. The group is receiving regular reports on critical areas and steps are being taken, where appropriate, to limit the risks to BTP.
- 9.3 A detailed review of the enhanced PSAs has been undertaken to assess any risk to BTP if the funding of these is withdrawn. This review has indicated that the vast majority of these agreements have long notice periods (one year or more) and a number have clauses that indicate that the PSA holder will cover any exit costs. It is considered that the risk of a significant loss of income to BTP has been minimised – but monitoring will continue to ensure that the position does not change significantly.

- 9.4 A review of outstanding debts has been undertaken and there has been no real increase in the amount of money owing to BTP. Apart from the effects of the judicial review into the PSA, the debtors situation is stable, and gives no cause for concern.

10. OTHER ACTIVITY WITHIN THE DEPARTMENT

- 10.1 Preliminary work is being undertaken on the close of the accounts for 2008/09 to ensure that the tight timescale for the completion of the process is met. The NAO have already completed their own early work and there is every indication that the accounts for 2008/09 will be closed efficiently and on time. Regular reviews on the likely revenue outturn position will take place to ensure that explanations are available for any significant variations from the forecast.

- 10.2 A review of the “purchase to pay” processes within FHQ has been undertaken and a number of recommendations made that will make the process more efficient and ensure that targets for the payment of suppliers are met. These recommendations will be worked through over the coming months and, where appropriate, applied to Areas as well.

- 10.3 One of the recurring themes within internal audit reports that relate to the Finance Department is the lack of or out of date procedures. This is being addressed to ensure that all the department’s procedures are effective and up to date.

11. DIVERSITY ISSUES

- 11.1 There are none.

12. RECOMMENDATIONS

- 12.1 It is recommended that the progress on the matters outlined in this report is noted.